

The New Economy and Jobs/Housing Balance in Southern California



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ABSTRACT

The information and recommendations in this paper are designed to spur debates on how to better balance jobs with housing in the region. It is also intended to assist subregions and individual jurisdictions in the Southern California Association of Governments' (SCAG) region in their respective planning efforts to address the issue of jobs/housing balance. Of particular interest is the opportunity to seek planning funds under new appropriations from the California Department of Housing and Community Development (HCD). Assembly Bill 2864 (Torlakson) establishes the Jobs-Housing Balance Improvement Program that provides state funding (\$110 million) to local governments for projects that will mitigate the imbalance of jobs and housing in communities throughout the state.

The paper's major findings include:

- A geographic balance between housing and jobs in a region confers many benefits, including reduced driving and congestion, fewer air emissions, lower costs to businesses and commuters, lower public expenditures on facilities and services, greater family stability, and higher quality of life.
- Jobs-rich areas are located primarily along the coast, in Los Angeles and Orange Counties.
- Housing-rich areas are located primarily in the Inland Empire and North Los Angeles County, which house many commuters working in jobs-rich areas.
- Jobs/housing ratios are forecast to increase in the western portion of the Inland Empire by 2025, but much of the Inland Empire and all of North Los Angeles County are forecast to remain housing rich.
- Based on current densities, Los Angeles and Orange Counties do not have enough raw, developable land to satisfy their forecast housing needs in 2025.
- There is an excess amount of vacant land in Los Angeles County that is zoned for commercial and industrial purposes relative to forecast housing needs in 2025.
- High-tech "New Economy" jobs and venture capital investments that have a strong tendency to cluster at culturally- and amenity-rich urban locations are powering the job growth in coastal areas.
- California taxation laws and fiscal policies act as disincentives to housing production by creating a bias among many financially strapped cities and counties toward sales tax-generating land uses. In addition, the State returns very little property tax revenues back to the cities.

The major recommendations include:

- Promote infill housing in Los Angeles County and Orange County. This would help house the forecast population, give employees the opportunity to live closer to work, and potentially reduce inter-county commutes.
- Promote wealth-generating, high paying, "New Economy" jobs in the Inland Empire. This would enable Inland Empire residents to find comparable work to the western regions and would shorten commutes of Inland Empire residents.

Proposed housing strategies include:

- Infill housing development
- Transit-oriented development and Location Efficient Mortgage
- Brownfields redevelopment into housing
- State and local finance reform
- Zoning revisions

Proposed jobs-creation strategies include:

- Investments in public education
- Development of high technology business parks and incubation centers
- Fiber optic cable investments
- Airport investment and promotion

EXECUTIVE SUMMARY

The continuing economic recovery of the SCAG Region has brought problems and challenges along with its economic benefits. Jobs are now plentiful, but housing is scarce and housing prices and rents have soared. Highway congestion has increased substantially and commute times have lengthened. Meeting strict air quality standards in the face of increased driving and congestion has become even more challenging. These problems largely result from a lack of new housing construction, especially near major job centers, and the inability of many workers to purchase the housing being produced.

Problems associated with inadequate and unaffordable housing in job-rich areas have become so pronounced throughout the state that they have galvanized the State Legislature to try to solve them. Assembly Bill 2864 (Torlakson) establishes the Jobs-Housing Balance Improvement Program that provides state funding to local governments for projects that will mitigate the imbalance of jobs and housing in local communities. This bill provides \$110 million for projects and programs in housing-rich communities that will attract new businesses and jobs, and projects in jobs-rich communities that will increase the supply of housing. **A primary objective of this paper is to guide and assist local governments in the SCAG Region in applying for funds offered through AB 2864 by describing the relationship of employment to household growth in the region.**

An analysis of the current jobs/housing ratios in the SCAG region finds that jobs-rich areas are located primarily in Los Angeles and Orange Counties. Housing-rich areas are located on the periphery, primarily in the Inland Empire and northern Los Angeles County. Jobs/housing ratios are forecast to increase over the next 25 years in the western portion of the Inland Empire. Still, much of the Inland Empire and all of northern Los Angeles County are forecast to remain housing-rich in 2025.

Housing-rich areas, particularly in the Inland Empire, have seen substantial job growth over the last decade. This job growth is forecast to continue, which will result in increasing jobs/housing ratios for areas in the western portion of the Inland Empire. In fact, the Regional Statistical Area (RSA) around Ontario Airport is forecast to become very jobs-rich by the year 2025. Nevertheless, much of the job growth of the Inland Empire has been in relatively low-paying blue-collar sectors of the economy, and the gap in per capita income between it and the rest of the region has been increasing. The average wage of the job base of some areas in the Inland Empire is insufficient to purchase the average local house, and many local workers are forced to commute in from outlying areas where housing is less expensive.

The job growth of North Los Angeles County, another housing-rich area, has not been as robust as that of the Inland Empire. The new jobs created though have in general been higher paying, with the migration of white-collar professional jobs to Santa Clarita Valley and with the consolidation of the aerospace industry in the Antelope Valley. North Los Angeles County is forecast to remain housing rich in 2025. In fact, the Santa Clarita RSA is forecast to change from a balanced status to being housing-rich in 2025.

An analysis of land development needs for accommodating forecast housing shows that there is an insufficient amount of raw, developable land in Orange and Los Angeles counties to

accommodate their forecast housing needs at current densities. Development strategies involving infill of currently vacant and underutilized lots, and developing at higher densities are necessary for these counties to meet their forecast housing needs and achieve the benefits of jobs/housing balance.

An analysis of the development capacity of 1993/1994 general plans and zoning shows that most counties have excess vacant land zoned for commercial and industrial uses, relative to existing land use ratios. From a jobs/housing standpoint, this could be justified in housing rich areas. However, this is contrary to achieving jobs/housing balance in jobs-rich counties like Los Angeles County where low-and moderate-income workers are having an increasingly difficult time finding affordable housing.

Historically, the geographic imbalance between jobs and housing in the SCAG Region has been a problem that has been largely self-correcting. Jobs have moved from their original centers to housing-rich suburbs to take advantage of lower land and labor costs and provide shorter commute trips for their employees. The end result is the multi-centered urban fabric that characterizes the region today. This phenomenon also explains why average home-to-work commute times in the region have remained relatively constant over the last several decades.

However, there are several emerging trends that threaten to exacerbate problems associated with jobs/housing imbalance. The high-tech and knowledge-based New Economy has been extremely important to the economic resurgence of the region. New Economy firms, particularly those dealing with Internet content, tend to be collaborative in nature and tend to concentrate in urban core locations. They are relatively insensitive to traditional land and labor cost factors and locate in areas with a wide variety of cultural amenities so that they can compete for the young, highly educated information workers that are keys to their success. When housing is limited around high-tech nodes, these affluent knowledge workers displace low and moderate-income groups in a process of gentrification. It is very difficult to disperse New Economy companies to housing-rich areas because of their tendency to coalesce and their high priority placed on locating in culturally rich urban environments. In the SCAG Region, high-tech clusters are located predominantly in coastal locations.

The other trend that runs counter to achieving jobs/housing balance is the “fiscalization of land use.” State tax law has created competition among cities for sales tax-generating commercial uses of land. Because of limitations on property tax revenues, cities place lower priority on accommodating residential development, and higher priority on sales tax generating uses. This has greatly contributed to a trend of housing production lagging job growth and population increases. In combination with community apprehension over multifamily housing, a shortage of vacant land for housing in urban areas, and construction defect litigation problems, the fiscalization of land use makes it very difficult to implement strategies for promoting infill housing that is affordable to low and moderate-income workers. Many service and blue-collar workers, along with moderate-income white-collar workers employed in and around high-tech nodes, are consequently forced to commute long distances from areas where they can find affordable homes.

To help alleviate problems associated with jobs/housing imbalance, policy makers can look to both conventional and New Economy mechanisms to spur housing development in job-rich areas, and well-paying job creation in housing-rich areas. To encourage housing production, this paper presents the following strategies for policy makers:

- Alleviate roadblocks in building infill housing and in converting brownfield sites to housing
- Encourage transit-oriented development
- Reevaluate zoning policies and rewrite zoning ordinances to make more land available for housing construction
- Institute appropriate state and local finance reform that will help increase incentives for housing production by returning property taxes to local governments and reducing competition among jurisdictions for sales tax generating land uses.

New Economy jobs in the high-tech fields pay high salaries. To encourage the development and growth of these companies in housing-rich areas, this paper offers the following strategies to policy makers

- Target education and research toward new economy jobs through research parks
- Institute community-based job training programs to train and retrain workers for new economy jobs
- Promote and cultivate venture capital investment
- Sponsor business incubation programs
- Invest in telecommunications, specifically fiber optic investments
- Promote airport construction and development

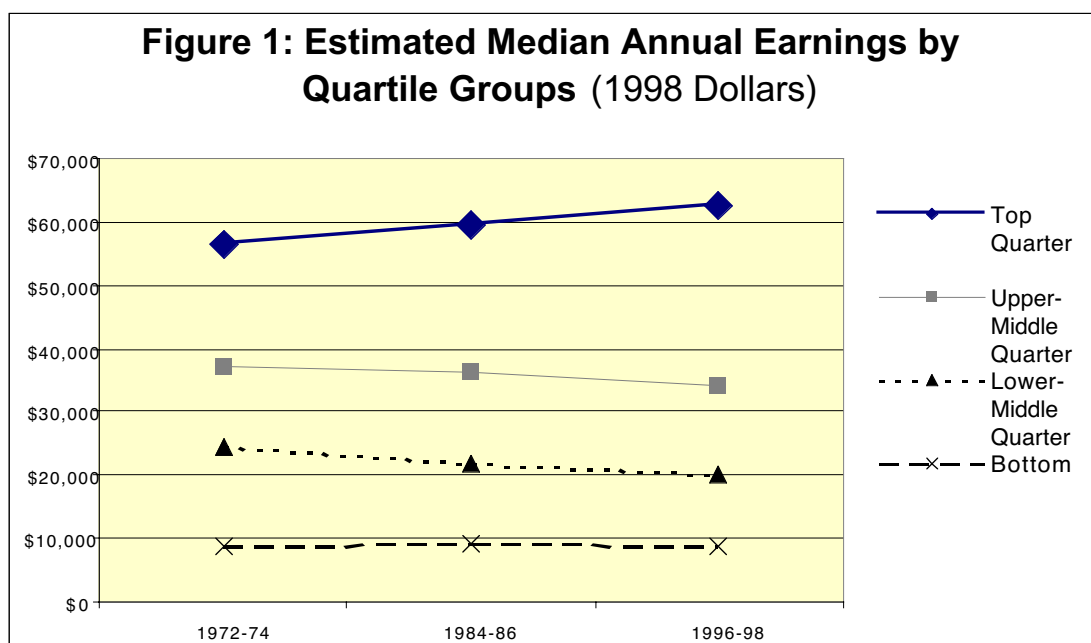
High technology companies demand educated employees. This may require colleges and universities to redirect their training efforts, and primary and secondary schooling to better prepare their students before they get to college. High technology companies also need access to venture capital investments and a place to grow. University-affiliated research parks and other incubation centers offer places to develop new high-tech businesses. Public investments in fiber optic cable can make areas more attractive to New Economy firms. High technology firms require reliable air travel, both commercial and air cargo, to move their employees and their products quickly throughout the world. Developing and expanding airports in outlying areas can help spread New Economy companies across the region.

Old economy jobs are expanding into the Inland Empire. Whether or not people living there will work in these jobs or continue to commute to jobs closer to the coast remains to be seen. New Economy jobs are beginning to move inland, but this change will take time to have a substantial impact. Meanwhile, the housing crisis is worsening.

There needs to be a two-pronged approach to addressing regional jobs/housing imbalance. Affordable housing is in desperate demand in northern Orange County and southern Los Angeles County. High paying jobs are needed particularly in the Inland Empire and other outlying areas where higher incomes are needed for workers to purchase the housing that is being constructed. Using a variety of conventional and innovative new strategies, policy makers can begin to address problems associated with regional jobs/housing imbalance.

I. INTRODUCTION

The issue of the geographic balance between the location of jobs and housing in a region has attracted considerable attention in California. Since 1972, the median annual earnings of the top quartile in the SCAG region have surged upward, while the median annual earnings of the two middle quartile groups decreased with the expanding economy and population (Figure 1). Housing prices in the jobs-rich coastal areas have soared, forcing many of the bottom 75% of the region's earners to search for affordable housing in outlying areas such as northern Los Angeles County and the Inland Empire. Residents of the region not only have to contend with mounting traffic congestion and commute times, but they find it increasingly difficult to find affordable housing in proximity to their employment. This problem has become particularly acute in the San Francisco Bay Area, but afflicts the SCAG Region as well.



Source: Ong 2000.

The purpose of this paper is to provide a brief overview of the causes and impacts of the job/housing balance problem, and to document the extent of the problem in the SCAG Region. It also recommends potential strategies that can be applied on both regional and local levels to help bring the future production of jobs and housing into greater balance among all subregions. Further research is needed to determine which of the recommended strategies may be most appropriate for different cities and subregions within the SCAG region.

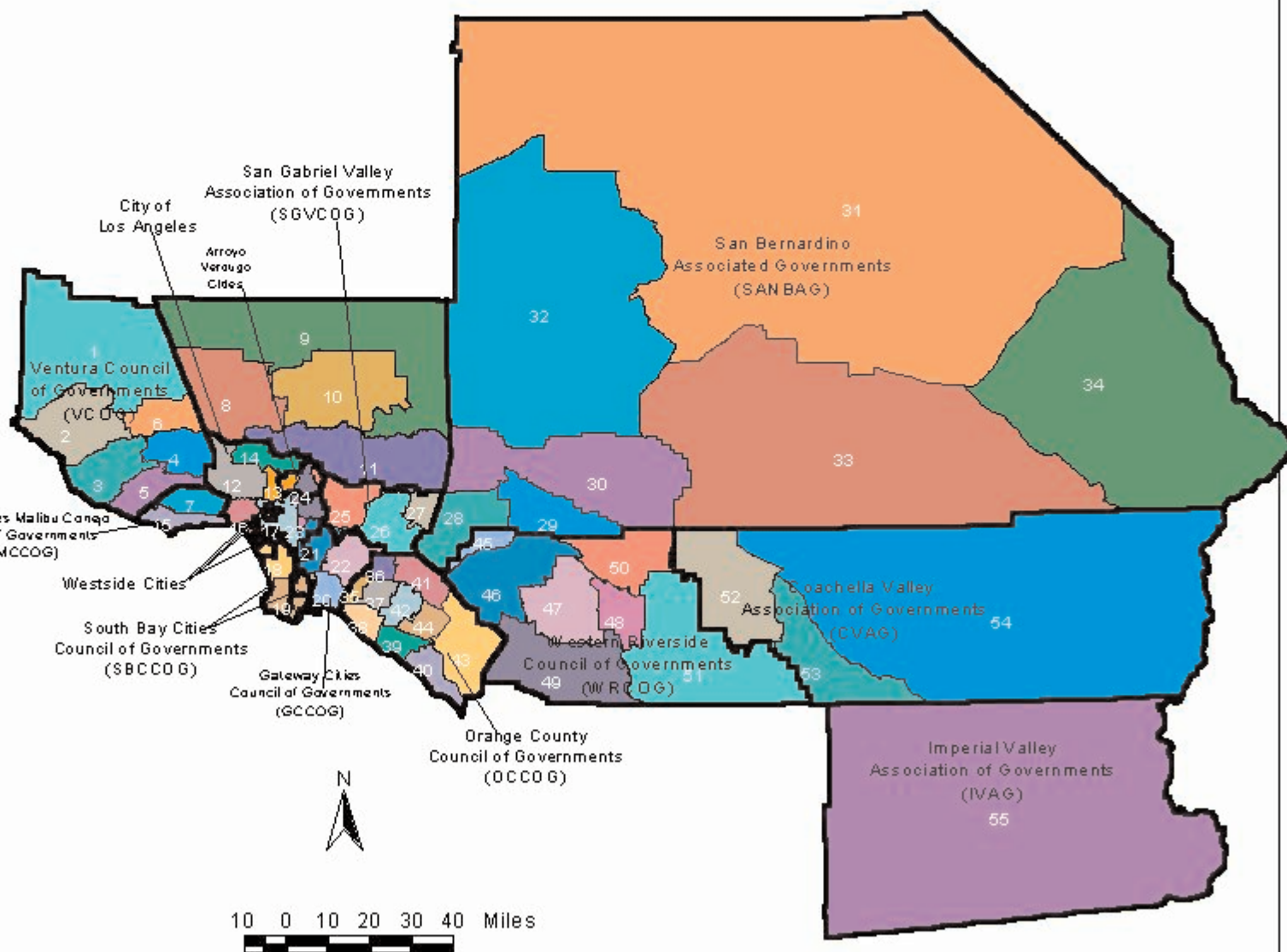
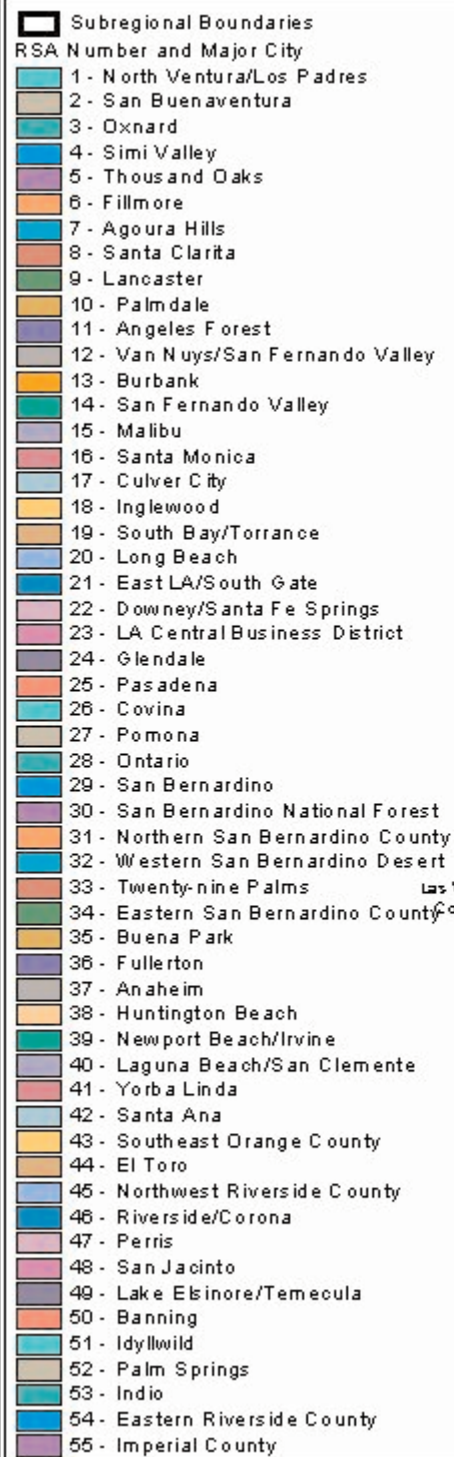
A distinct focus of the paper is an examination of the high-tech New Economy and its impacts on jobs/housing patterns in the region, and strategies that can spread the benefits of the New Economy to areas in the region with high housing availability but relatively little high-tech employment. Subregions may use this paper as a guide as they apply for funds from HCD to address the jobs/housing imbalance in their subregion.

The data used in the analyses in this report are from SCAG's Draft 2001 Regional Transportation Plan (RTP). These numbers are displayed in Table 1. Two of these analyses use Regional Statistical Areas (RSAs) as the unit of measurement for the analysis. Table 2 lists the RSAs located within each subregion. The federal government devised the RSAs for the 1960 census to reflect economic development areas. Counties influenced their configuration as the RSAs were based on countywide planning areas. The boundaries were drawn coterminous with census tract boundaries without splitting them. The RSAs are used in report summary preparation and have become a common statistical reporting configuration. The boundaries have remained the same because there has been a strong desire to have continuity in the geographic frame of reference. The consistent boundaries allow planners to keep comparisons with historic data.

Table 1						
Population, Households, and Employment for the SCAG Region, 1997 Base Year and 2025 Projections, as Used in the Draft 2001 RTP						
Subregion	Population 1997	Population 2025	Households 1997	Households 2025	Employment 1997	Employment 2025
Imperial Valley Association of Governments	141,596	317,733	38,384	97,883	55,572	94,064
Arroyo Verdugo Cities	391,556	480,849	142,004	180,071	180,717	268,172
Gateway Cities Council of Governments	1,982,922	2,308,667	570,714	641,168	784,127	987,956
Las Virgenes Malibu Conejo Council of Governmer	77,244	98,123	27,127	36,855	39,524	45,150
City of Los Angeles	3,733,427	4,876,537	1,251,722	1,769,462	1,700,941	2,060,085
North Los Angeles County	502,409	1,268,768	153,943	444,731	136,472	304,163
San Gabriel Valley Council of Governments	1,763,554	2,141,654	519,104	606,177	689,846	845,524
South Bay Cities Council of Governments	852,829	915,002	294,034	319,219	404,512	510,526
Westside Cities	233,170	248,865	112,064	121,088	222,536	269,335
Orange County Council of Governments	2,699,911	3,416,034	887,888	1,068,049	1,341,203	2,043,665
Coachella Valley Association of Governments	329,134	600,708	113,749	212,470	119,194	205,741
Western Riverside Council of Governments	1,090,132	2,232,981	349,078	721,423	311,622	800,676
San Bernardino Associated Governments	1,613,419	2,786,936	508,551	880,965	510,695	1,085,706
Ventura Council of Governments	725,914	951,080	232,831	309,209	290,779	431,501
Subregion	16,137,217	22,643,937	5,201,193	7,408,770	6,787,740	9,952,264
Source: SCAG Draft 2001 RTP						

Table 2	
Regional Statistical Areas within Each Subregion	
Subregion	RSAs within Each Subregion
Imperial Valley Association of Governments	55
Arroyo Verdugo Cities	13, 24, 25
Gateway Cities Council of Governments	19, 20, 21, 22
Las Virgenes Malibu Conejo Council of Governments	7, 15
City of Los Angeles	12, 13, 14, 16, 17, 18, 19, 21, 23
North Los Angeles County	8, 9, 10, 11
San Gabriel Valley Council of Governments	11, 21, 25, 26, 27
South Bay Cities Council of Governments	18, 19, 21
Westside Cities	16, 17
Orange County Council of Governments	35, 36, 37, 38, 39, 40, 41, 42, 43, 44
Coachella Valley Association of Governments	52, 53, 54
Western Riverside Council of Governments	45, 46, 47, 48, 49, 50, 51
San Bernardino Associated Governments	28, 29, 30, 31, 32, 33, 34
Ventura Council of Governments	1, 2, 3, 4, 5, 6
Source: SCAG	

Map 1. The Regional Statistical Areas of the SCAG Region



Source: SCAG

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In this report, we are using these geographies because they help paint a clearer picture of future trends while keeping the historical perspective of past analyses. Table 2 displays the RSAs located within each subregion. Table 3, located in the appendix, lists the cities within each RSA. Map 1 portrays the location of each RSA. Recognizing that the RSA boundaries include jobs-rich cities with housing-rich cities, a summary of current (1997 base year) population, employment, and households is included in the Appendix as Table 4.

II. DEFINITION OF JOBS/HOUSING BALANCE

Defining what constitutes a balance between jobs and housing is not an easy task. Assuming a simple ratio of to one job to one household is inappropriate to modern economies that have many households with more than one person in the workforce. Another definition states “balance occurs when both the quality and the quantity of housing opportunities match the job opportunities within an area” (California Planning Roundtable 1988, 16).

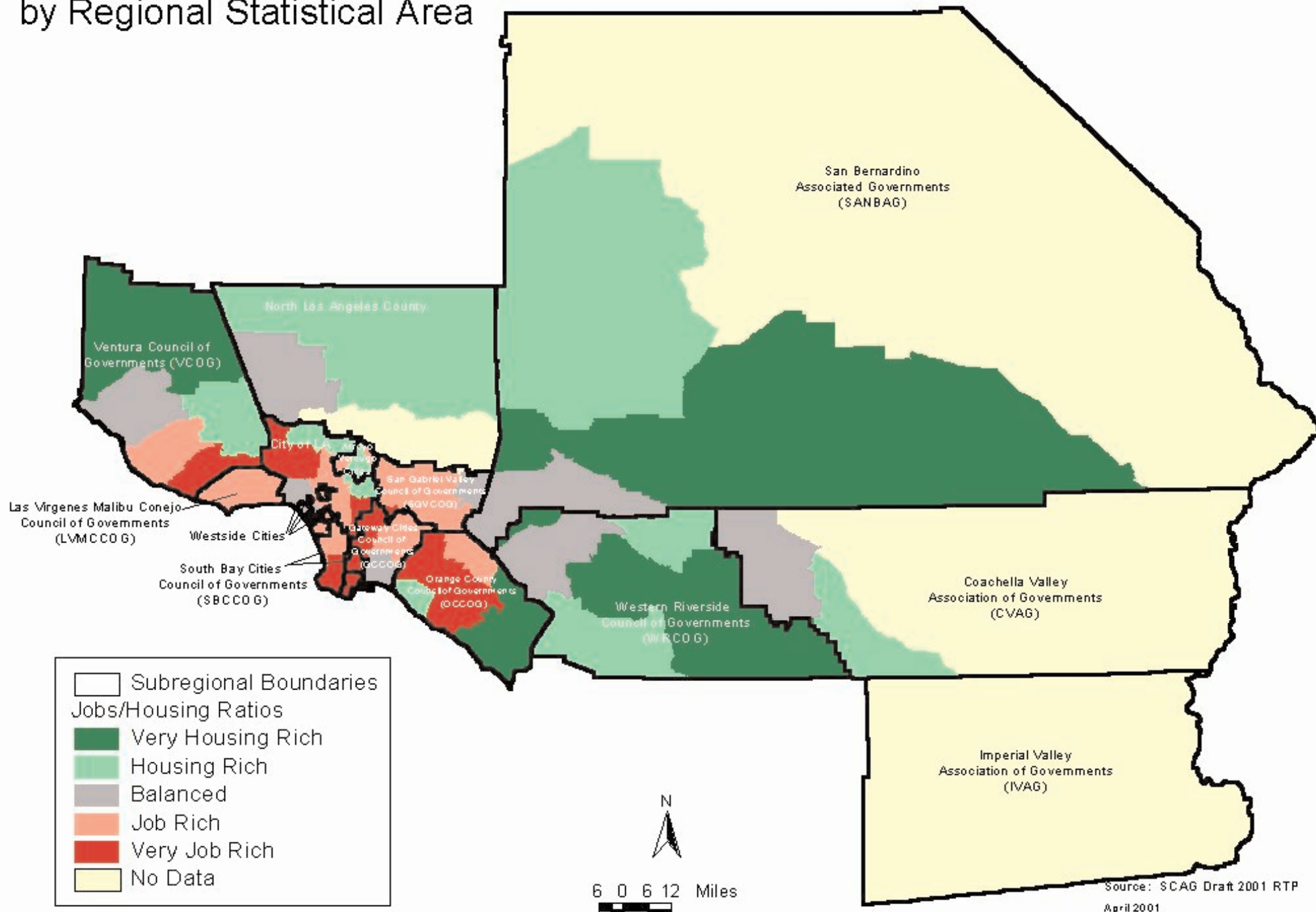
In this paper, a balance between jobs and housing in a metropolitan region can be defined as a provision of an adequate supply of housing to house workers employed in a defined area (i.e., community or subregion). Alternatively, a jobs/housing balance can be defined as an adequate provision of employment in a defined area that generates enough local workers to fill the housing supply. The definition of an area can be stated in terms of an optimal “commute shed” around employment centers that conforms to expressed commuter preferences about home-to-work commute distances. According to a 1990 survey of public opinions about jobs/housing balance and urban form, the expressed ideal commute time (one way) for workers in the region is 14 minutes (Southern California Association of Governments (SCAG) 1990). The average time people said it actually took them to travel from home to work in 1990, at the beginning of a major recession, was 24 minutes. There was very little support for commute times over 30 minutes. According to data collected in 1999, the average commute speed in the region was 28.4 mph (SCAG 1999). For a maximum commute of 30 minutes, this translates to commute sheds having radii of about 14 miles around employment centers.

The current (1997) regional average ratio of jobs to households is 1.25 jobs per household (a household is defined as an occupied housing unit). Therefore, jobs/housing balance for this region can be defined as an area extending about 14 miles around an employment center with a ratio between jobs and household on the order of 1.0-1.29 jobs per household. This ratio is the current (1997) range of jobs/housing ratios for the middle 20% of the SCAG region. Job centers vary by size and are not evenly dispersed throughout the region, and congestion and average commute times also vary by location (and will change in the future). However the area or “commute shed” is defined, if it has a jobs to household ratio that significantly differs from the 1.0 to 1.29 standard, than it can be considered out of balance.

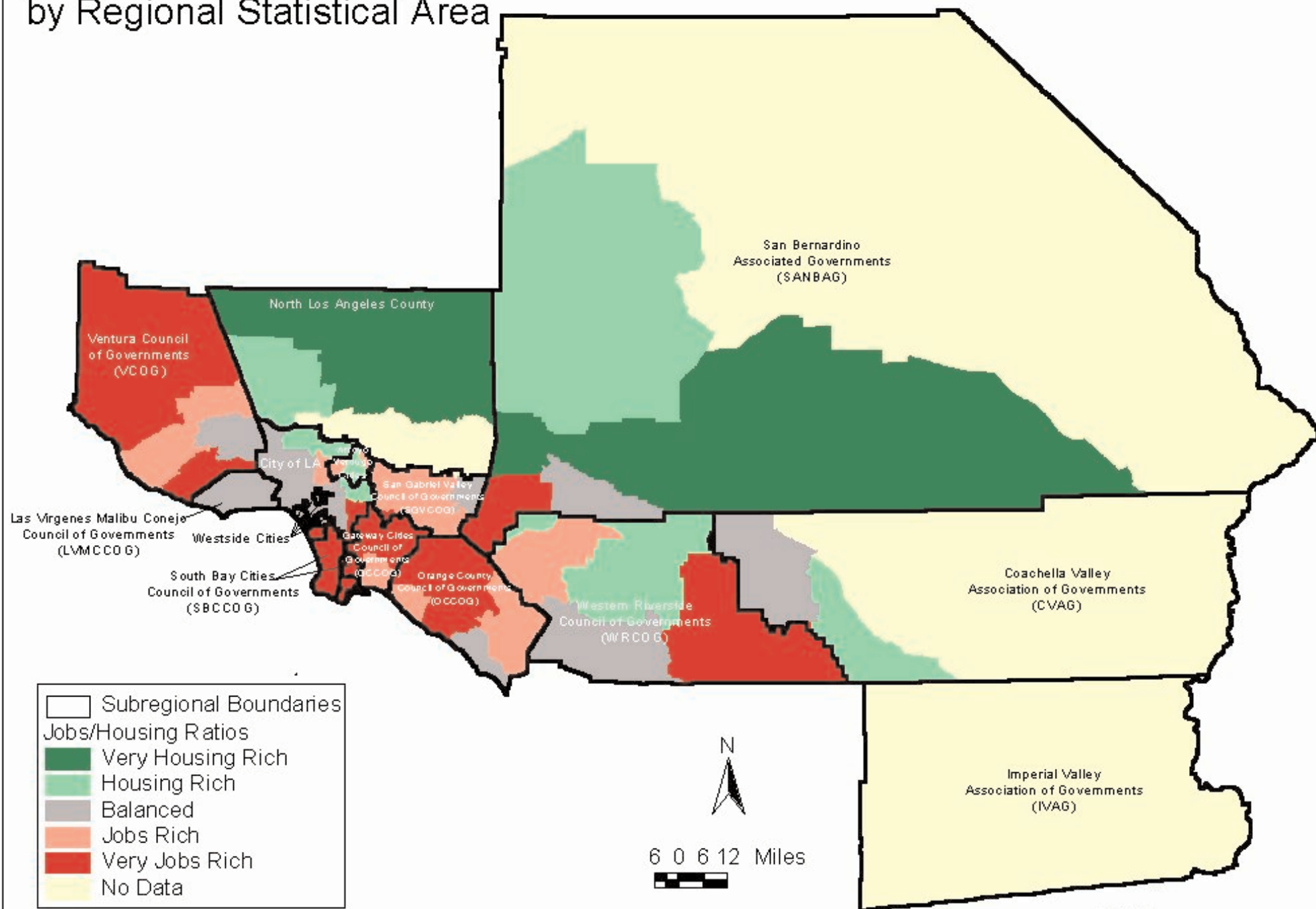
Maps 2 and 3 display current and forecast jobs/housing ratios by the 55 regional statistical areas (RSAs) in the region. They show that in general, jobs-rich areas currently (1997) are located in the highly urbanized areas in the western portion of the region, primarily in southern and western Los Angeles County, and in central and northern Orange County. Housing-rich areas are in the suburban eastern and northern portions of the region. By 2025, it is forecast that both job and housing growth will spread outwardly, tilting some housing-rich or balanced areas around jobs-rich areas towards being more jobs-rich, and tilting areas on the very northern and eastern peripheries of the region towards being even more housing-rich. A more detailed discussion of this analysis can be found in Section IV.

The impacts on commuting resulting from these regional imbalances between jobs and housing are shown in Tables 5 and 6. Table 5 displays the percentage of workers from each county in the

Map 2. Jobs/Housing Balance in the SCAG Region - 1997
by Regional Statistical Area



Map 3. Projected Jobs/Housing Balance in the SCAG Region - 2025
by Regional Statistical Area



Source: SCAG Draft 2001 RTP

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region who work in counties that are different from the county in which they live. It shows that the most housing-rich counties, San Bernardino and Riverside, have the lowest percentage of workers who both live and work in the county – 68%. Table 6 shows home-to-work commute distances by county of trip origination as of 1999. Again, the most housing-rich counties house workers that have the longest commute distances – over twenty-one miles. Given an average current commute speed of 28.4 miles per hour, this translates to an average one-way commute time of about forty-five minutes.

Table 5						
Home Based Work Person Trip Distribution						
From/To	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total Productions
Los Angeles	4,576,759	219,753	4,432	42,001	37,474	4,880,419
	93.78%	4.50%	0.09%	0.86%	0.77%	100.00%
Orange	389,168	1,308,649	10,345	12,064	8	1,720,234
	22.63%	76.07%	0.60%	0.70%	0.00%	100.00%
Riverside	51,283	68,904	436,945	99,607	32	656,771
	7.81%	10.49%	66.53%	15.17%	0.00%	100.00%
San Bernardino	154,214	44,685	76,664	519,774	175	795,512
	19.39%	5.62%	9.64%	65.34%	0.02%	100.00%
Ventura	109,597	245	0	90	317,391	427,323
	25.66%	0.06%	0.00%	0.02%	74.26%	100.00%
Total Attractions	5,281,221	1,645,236	528,389	673,536	354,880	8,480,259
	62.28%	19.37%	6.23%	7.94%	4.18%	100.00%

Table 6	
Average Home to Work Commute Distance (By County), 1999	
County	Miles
Riverside	21.6
San Bernardino	21.3
Ventura	16.3
Orange	16.1
Los Angeles	14.9
Imperial	14.5
Source: SCAG, State of the Commute Report, 1999.	

III. BENEFITS OF JOBS/HOUSING BALANCE

Achieving an ideal geographic relationship between the provision of jobs and housing in local communities can produce a myriad of measurable and perceived benefits for the region as a whole. These would include:

A. Reduced Congestion and Commute Times

The opportunity to live close to the workplace afforded by providing housing close to well paying jobs translates to lower congestion and commute times by eliminating the necessity for long-distance commutes. It also provides increase opportunities to use transit, bike, or walk to work in lieu of driving. Of course, placing housing in close proximity to employment is no guarantee that those who live in the housing will work at the nearby jobs, or vice versa. This would be particularly true for two income households who split the difference between the locations of their two employment destinations in choosing where to live. It does, however, eliminate barriers for those who wish to live close to work, and reduce the need for long-distance commuting and the congestion it contributes to the regional highway system. In SCAG's 1990 survey of attitudes about job/housing balance, 44% of respondents wished that their home and their workplace were closer together.

B. Air Quality Benefits

As the need for driving long distances is reduced by greater jobs/housing balance, so are the emissions associated with driving that impairs the attainment of clean air. SCAG's 1989 *Regional Growth Management Plan* evaluated a regional jobs/housing strategy that assumed the redistribution of 9% of the region's forecast employment growth to the year 2010 from jobs-rich to job-poor areas, and 5% of the forecast housing growth from housing-rich to housing-poor areas. This strategy was estimated to reduce regional vehicle-miles-traveled (VMT) by 33.4 million miles (8.5%), vehicle-hours-traveled (VHT) by 7.2 million hours (37%) and reactive organic gases (ROG) by 45.5 tons. This jobs/housing strategy alone achieved 33% of all ROG reductions targeted to be accomplished by all transportation, land use and energy conservation measures.

C. Economic and Fiscal Benefits

Since the successful implementation of job/housing balance strategies result in less need for long-distance commuting and associated congestion, fewer public resources would be required for congestion mitigation improvements to the regional transportation system. Also, the reduced hours spent in long-distance travel by commuters translates to lower fuel costs and other automobile-related expenses, lower costs to employers in terms of reduced employee tardiness and higher productivity, and lower business trip costs. Further, since jobs/housing balance implies a more compact urban form with less suburban sprawl, the cost to local government of providing new facilities and services to new development is less since those facilities and services can be provided more efficiently.

D. Quality of Life Benefits

All of the benefits of achieving greater jobs/housing balance cited above will confer a higher quality of life for residents in the region. Quality of life benefits include cleaner air, reduced stress in commuting, and more leisure time. Families can be negatively impacted when its members are under the stress and strain of long commutes. The family in which both parents work is becoming the norm; longer commutes take time away from home and family members, result in higher child care expenses and reduce leisure and recreation time. The added financial and emotional pressures on the family can cause tension between family members. Increased job/housing balance can therefore contribute to greater family stability and cohesion.

A good geographic balance between jobs and housing also implies a more diverse, compact, and convenient urban form, without the strict segregation of land uses found in many suburban areas. Quality of life is maximized for all population groups where available housing types are well matched with the wage stratification of local employment. In general, people associate diverse urban settings that are affordable and accessible to a broad range of people with cultural richness. They have increasingly negative attitudes about working and living in environments that are uniformly homogenous and lack opportunities for a variety of experiences. As discussed in section V of this report, employees of high-tech New Economy firms are particularly attracted to culturally diverse urban environments. Paradoxically, however, the dominating impact of New Economy firms on cities that they favor can diminish the cultural diversity of those cities, and create severe problems associated with jobs/housing balance.